APPENDIX A — LETTER RE DATA ON INVESTMENT PERFORMANCE FOR 1973 TO ALPA DATED FEBRUARY 12, 1974

Mr. G. F. Garth February 12, 1974

H. L. Dyer

Data on Investment Performance for 1973 to ALPA

For the past several years Paine, Webber, Jackson & Curtis has been employed by ALPA to perform a performance review of the managers of the retirement assets of most major airline pilot variable benefit funds. To date the only Allegheny account which has been included in this survey was the Allegheny Variable Benefit Trust Fund at Chase Manhattan Bank. The Mohawk Variable Benefit at Chase Manhattan was identified separately.

Effective December 1, 1972, the pilots' plan no longer involves a real variable. There continues to be a phantom "A" and "B" benefit. The investment yield on the "B" account, though, is the fictitious average that would have been earned had the assets been invested in the S & P 500 stocks (without reinvestment of dividends).

The 1972 performance through December 31, 1972 was reviewed by Paine, Webber last year. Unless someone here does something differently this year, the Chase Manhattan results would probably be reported as a routine item of information so that a similar review could be done of the 1973 results. By this memorandum I wish to raise the question of whether or not the recent results of any portion of the pilots' retirement fund should be reported to ALPA.

Appendix A

The new pilots' retirement plan provides for a basic final pay benefit offset by a portion of the Family Social Security benefit. The phantom "B" plan can be calculated irrespective of the performance results of any of the funds now under management. It would, in fact, be an error to imply that the Chase accounts still labeled "Allegheny Variable" or "Mohawk Variable" were the earnings rates that applied to the phantom "B" fund in 1973.

Unless a decision in this matter has already been made, I would ask that no information on 1973 investment performance results on any of the accounts at either Connecticut General or Chase Manhattan Bank be released to any person except to representatives of A. G. Becker & Co. for the performance analysis already contracted for. I believe a decision to give ALPA performance results for 1973 should be deliberately made this year and the consequences examined prior to the release of any information.

s/ H.L. Dyer
H. L. Dyer

HLD/pg

cc: Mr. W. J. Short
Mr. W. L. Wickham

APPENDIX B — DECLARATION OF MARVIN A. EVERETT DATED MARCH 18, 1996

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA
Civil Division

Case No. 95-990 (PLF)

M.A. EVERETT, et al.

Plaintiff,

v.

USAIR GROUP, INC., et al.

Defendants.

DECLARATION OF MARVIN A. EVERETT

I, Marvin A. Everett, am one of the plaintiffs in the above-captioned action. The following declaration is based upon my personal knowledge and is given under penalty of perjury:

1. On or about February 2, 1994, I was present at a meeting with Captains Thomas Howell, Donald Reubert, Terry Dickinson. Also present from ALPA were MEC Chairman Peter Gauthier, Eric Litt, Owen Brown (R & I Chairman and Retirement Board member), and ALPA attorney Jeff Small. Captain Allman, MEC Grievance Chairman was also present, as was attorney Douglas Sorensen.

Appendix B

2. At the meeting, which was held to discuss our request for action by ALPA and the MEC relating to the Prior Plan benefit calculations for retired pilots as well as current active pilots who are affected by the Prior Plan, Owen Brown stated that ALPA did not represent retired pilots. Peter Gauthier stated that ALPA could not help and that the pilots, if they wanted to pursue the matter independently, would have to bring a lawsuit in court.

3. As a retired pilot I am no longer eligible to be a member of ALPA and am no longer represented by them, just as all other retired pilots of USAir are no longer represented by ALPA. At the time of the meeting, I was an active pilot, but Captains Dickinson and Reubert were retired and Captain Howell was in the process of retiring.

Executed 18 March 1996, Collier County, Florida:

Marvin A. Everett

APPENDIX C — RETIREMENT INCOME STUDY FOR PILOTS OF USAIR, INC. DATED JUNE, 1993

**Deloitte &
Touche**

RETIREMENT INCOME STUDY
For
PILOTS OF USAIR, INC.

June 1993

Actuarial, Benefits
and Compensation
Consulting

Member of
HUMAN
RESOURCES
CONSULTING
GROUP

Appendix C

**Deloitte &
Touche**

**Deloitte Touche
Tohmatsu
International**

**Actuarial, Benefits and
Compensation
Consulting**

400 One Financial Plaza
120 South Sixth Street
Minneapolis, Minnesota
55402-1844
Telephone: 612 397-4000
Facsimile: 612 397-4550

June 1, 1993

Mr. Steve Hodgson
Field Representative
Air Line Pilots Association
535 Herndon Parkway
P.O. Box 1169
Herndon, VI 22070

Dear Mr. Hodgson:

We have completed our study of the retirement income plan for the pilots of USAir, Inc.

In general, USAir's current procedures used to calculate minimum benefits for pilots formerly covered under the provisions of the Retirement Income Plan for Pilots of Allegheny Airlines appear consistent with the plan, the letter of agreement, and documents available to us.

Appendix C

The only area of concern which may deserve some attention is the lack of definition in the 1992 proposed working agreement as to whether or not the Standard & Poor's index is to include dividends.

Sincerely,

s/ F. Jay Lingo
F. Jay Lingo, FSA, MAAA, EA
Principal

D3821
FJL/dku

Appendix C

I. OVERVIEW

A. Under the Retirement Income Plan for Pilots of Allegheny Airlines, Inc. (Prior Plan), the benefit consisted of a fixed income plan and a variable retirement income plan. The fixed income (defined benefit) benefit was split between a past service retirement income (generally 3/4 of 1% of compensation) and a future service retirement income (with accrual rates ranging up to 1-3/4% of compensation).

The variable retirement income plan was based on the purchase of retirement income units and the annual evaluation of those units. The retirement income units were purchased based on an assumed 3% yield rate. The value of retirement income units changed as actual investment returns varied from 3%.

B. The Retirement Income Plan for Pilots of USAir, Inc. (as amended and restated effective January 1, 1985) (Current Plan), provides a retirement benefit that is based on final average earnings and the Target Benefit Plan.

There is a special minimum benefit for participants who were in the Allegheny Airline's' system seniority list as of December 1, 1972. The variable retirement income portion of this benefit is accumulated based on the Standard & Poor's 500 stock index (unadjusted for dividends).

Appendix C

C. The methodology that USAir currently uses for calculations under (B) above is described in a March 15, 1990, letter from Robert Haver of TPF&C to Michelle Bryan at USAir and set forth in a proposed Letter of Agreement dated March 2, 1992. The variable retirement income portion of this benefit is accumulated based on the Standard & Poor's 500 stock index (no reference is made as to whether the index if unadjusted or adjusted for dividends). The methodology used by USAir uses the Standard & Poor's 500 index unadjusted for dividends.

D. The primary issue which requires clarification is whether the proposed Letter of Agreement dated March 2, 1992 intends that the Standard & Poor's 500 index be unadjusted or adjusted for dividends.

II. ISSUES

Current USAir calculations accumulate the variable income benefit at the Standard & Poor's 500 index without reinvesting dividends.

The Prior Plan used actual trust earnings after expenses to accumulate funds. According to Steve Hodgson's November 18, 1992 letter, the pilot working agreement refers to the variable account accumulating at the "Standard & Poor's 500 index" (with no reference as to whether the index is unadjusted or adjusted for dividends).

When using the Standard & Poor's 500 index unadjusted for dividends, retirement income

unit values are generated that gradually become substantially lower than they would have been under Standard & Poor's 500 index adjusted for dividends. However, the resulting purchase of extra units is more than offset by the lower unit values. The attached Exhibit I shows this sample calculation for John Benn. The Exhibit shows that even though he would accumulate approximately 600 more units under the unadjusted approach, these units would generate an annual retirement income that was $27,000 less ($74,536 versus $47,693).

Rates for adjusting the value of retirement income units

Under the Prior Plan, the number of retirement income units allocated to individual pilots was determined by the following formula:

$$\frac{\text{Total Pilot Contribution}}{\text{Retirement Income Unit Value times Actuarial Annuity Value}}$$

The division by the Actuarial Annuity Value determined a deferred annual annuity amount payable at age 60. The division by the Retirement Income Unit Value converted this annual benefit amount into units.

The Retirement Income Unit Value in subsequent years varied by investment and demographic experience.

Appendix C

At any valuation date, all realized and unrealized gains and losses, as well as all dividends paid and declared but unpaid, were included in the Retirement Income Unit Value calculation.

Current calculations determine variable plan units based on the participant's actual earnings, assuming that the variable retirement income provisions under the Prior Plan remained in effect and that the investment performance thereunder would be equal to the investment performance of the Standard & Poor's 500 stock index (unadjusted for dividends).

Under the Prior Plan, actual trust earnings would have included dividends but also would have had expense charges. It would be reasonable to expect dividends to be in the 3% to 5% range and trust expenses to be in the ½% to 1% range.

A rate of return comparison using the Standard & Poor's 500 index unadjusted for dividends with the Standard & Poor's 500 with dividends since 1972 is as follows:

	With Dividend	**Unadjusted**
1972	18.90	15.63
1973	-14.77	-17.37
1974	-26.39	-29.72
1975	37.16	31.55
1976	23.57	19.15
1977	-7.41	-11.50
1978	6.39	1.06

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1979	18.20	12.31
1980	32.27	25.77
1981	-5.01	-9.73
1982	21.44	14.76
1983	22.39	17.27
1984	6.20	1.40
1985	31.57	26.33
1986	18.57	14.62
1987	5.25	2.03
1988	16.33	12.40
1989	31.37	27.25
1990	-3.17	-6.56
1991	30.41	26.31
1992	7.61	4.46
Average	12.90	8.45

Examples

The first example in the letter from TPF&C is a calculation for John Benn. A second calculation was shown for Charles Haughey.

The attached exhibits show calculations done two ways:

(1) As currently being done by USAir.

(2) Adjusting unit values by the Standard & Poor's 500 index with dividends.

Appendix C

The summary of those exhibits is as follows:

Exhibit I (John Benn – Age 60 Retirement)

	(1)	(2)
Fixed Income	$39,526	$ 39,526
Variable Benefits	47,693	74,536
Minimum Benefit	87,219	114,062
"65%" Benefit	$102,946	$102,846
Final Benefit	$102,846	$114,062

Exhibit II (Charles Haughey – Age 53 Retirement)

	(1)	(2)
Fixed Income	$23,347	$23,347
Variable Benefits	22,940	31,457
Minimum Benefit	46,287	54,804
"65%" Benefit	$ 75,871	$ 75,871
Final Benefit	$ 75,871	$ 75,871

Mr. Haughey's benefits are not impacted by the minimum benefit because the calculation stops at 1987 and therefore fails to recognize the significant investment returns of 1988 and 1989.

Appendix C

EXHIBIT I

SAMPLE CASE -- JOHN BENN

	EOY AGE	UNIT VALUE 3% INTEREST S & P 500 W/O DIV	UNIT VALUE 3% INTEREST S & P 500 W/ DIV	DEFERRED ANNUITY FACTOR 3% INT	CALCULATED CONTRIB	USAIR METHOD S & P 500 W/O DIVIDENDS NEW UNITS	USAIR METHOD S & P 500 W/O DIVIDENDS TOTAL UNITS	USAIR METHOD S & P 500 W/O DIVIDENDS ANNUAL BENEFIT	S & P 500 WITH DIVIDENDS NEW UNITS	S & P 500 WITH DIVIDENDS TOTAL UNITS	S & P 500 WITH DIVIDENDS ANNUAL BENEFIT
1972	42	10.0000	10.0000	8.0585	0	601.60	601.60	6,016	601.60	601.60	6,016
1973	43	8.0223	8.2748	8.3002	5136	77.13	678.73	5,445	74.78	676.38	5,597
1974	44	5.4754	5.9136	8.5492	5432	116.04	794.77	4,352	107.44	783.82	4,635
1975	45	6.9910	7.8749	8.8057	6380	103.64	898.41	6,281	92.01	875.83	6,897
1976	46	8.0872	9.4476	9.0699	6566	89.52	987.93	7,990	76.63	952.46	8,998
1977	47	6.9487	8.4927	9.3420	7437	114.57	1102.50	7,661	93.74	1046.20	8,885
1978	48	6.8178	8.7723	9.6222	8153	124.28	1226.78	8,364	96.59	1142.79	10,025
1979	49	7.4340	10.0668	9.9109	8739	118.61	1345.39	10,002	87.59	1230.38	12,386
1980	50	9.0774	12.9275	10.2082	9795	105.70	1451.09	13,172	74.22	1304.60	16,865
1981	51	7.9520	11.9222	10.5145	11619	138.96	1590.05	12,644	92.69	1397.29	16,659
1982	52	8.8615	14.0566	10.8299	12794	133.31	1723.36	15,272	84.04	1481.33	20,822
1983	53	10.0901	16.7028	11.1548	13726	121.95	1845.31	18,619	73.67	1555.00	25,973
1984	54	9.9353	17.2217	11.4894	14890	130.44	1975.75	19,630	75.25	1630.25	28,076
1985	55	12.1857	21.9987	11.8341	15896	110.23	2085.98	25,419	61.06	1691.31	37,207
1986	56	13.5604	25.3220	12.1892	15923	96.33	2182.31	29,593	51.59	1742.90	44,134
1987	57	13.4327	25.8751	12.5548	16401	97.25	2279.56	30,621	50.49	1793.39	46,404
1988	58	14.6586	29.2238	12.9315	16893	89.12	2368.68	34,722	44.70	1838.09	53,716
1989	59	18.1098	37.2531	13.3194	17400	72.14	2440.82	44,203	35.07	1873.16	69,781
1990	60	19.0047	39.0940	13.7190	17922	68.74	2509.56	47,693	33.42	1906.58	74,536

VARIABLE BENEFIT	$47,693	$74,536
FIXED BENEFIT	$39,526	$39,526
MINIMUM BENEFIT	$87,219	$114,062
"65%" BENEFIT	$102,846	$102,846
FINAL BENEFIT	$102,846	$114,062

Appendix C

EXHIBIT II

SAMPLE CASE--CHARLES HAUGHEY							USAIR METHOD S & P 500 W/O DIVIDENDS				S & P 500 WITH DIVIDENDS		
	EOY AGE	UNIT VALUE 3% INTEREST S & P 500 W/O DIV	UNIT VALUE 3% INTEREST S & P 500 W/ DIV	DEFERRED ANNUITY FACTOR 3% INT	CALCULATED CONTRIB		NEW UNITS	TOTAL UNITS	ANNUAL BENEFIT		NEW UNITS	TOTAL UNITS	ANNUAL BENEFIT
1972	38	10.0000	10.0000	7.1598	0		131.00	131.00	1,310		131.00	131.00	1,310
1973	39	8.0223	8.2748	7.3746	3230		54.60	185.60	1,489		52.93	183.93	1,522
1974	40	5.4754	5.9136	7.5959	3292		79.15	264.75	1,450		73.29	257.22	1,521
1975	41	6.9910	7.8749	7.8238	3743		68.43	333.18	2,329		60.75	317.97	2,504
1976	42	8.0872	9.4476	8.0585	4354		66.81	399.99	3,235		57.19	375.16	3,544
1977	43	6.9487	8.4927	8.3002	4645		80.54	480.53	3,339		65.89	441.05	3,746
1978	44	6.8178	8.7723	8.5492	6047		103.75	584.28	3,984		80.63	521.68	4,576
1979	45	7.4340	10.0668	8.8057	8060		123.13	707.41	5,259		90.92	612.60	6,167
1980	46	9.0774	12.9275	9.0699	9434		114.59	822.00	7,462		80.46	693.06	8,960
1981	47	7.9520	11.9222	9.3420	10803		145.42	967.42	7,693		97.00	790.06	9,419
1982	48	8.8615	14.0566	9.6222	12583		147.57	1114.99	9,880		93.03	883.09	12,413
1983	49	10.0901	16.7028	9.9109	12922		129.22	1244.21	12,554		78.06	961.15	16,054
1984	50	9.9353	17.2217	10.2082	14372		141.71	1385.92	13,770		81.75	1042.90	17,961
1985	51	12.1857	21.9987	10.5145	15088		117.76	1503.68	18,323		65.23	1108.13	24,377
1986	52	13.5604	25.3220	10.8299	15064		102.58	1606.26	21,782		54.93	1163.06	29,451
1987	53	13.4327	25.8751	11.1548	15206		101.48	1707.74	22,940		52.68	1215.74	31,457

VARIABLE BENEFIT	$22,940	$31,457
FIXED BENEFIT	$23,347	$23,347
MINIMUM BENEFIT	$46,287	$54,804
"65%" BENEFIT	$75,871	$75,871
FINAL BENEFIT	$75,871	$75,871